

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

**JRP MANAGEMENT RESOURCES, INC.**

FEBRUARY 18, 2010

AGREED-UPON PROCEDURES TO DETERMINE  
COMPLIANCE WITH THE MONTGOMERY COUNTY  
WAGE REQUIREMENTS LAW FOR THE PERIOD  
JULY 1, 2008 THROUGH DECEMBER 31, 2008

JRP Management Resources, Inc.

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JRP Management Resources, Inc.

BACKGROUND

Montgomery County, Maryland (County), through its Office of County Executive, engaged Reznick Group, P.C. to perform certain agreed-upon procedures to aid the County in determining compliance with the Wage Requirements Law under Montgomery County Code Section 11B-33A, for Contract #7506030300-BB, Contract #8506010003-BB and Contract #8506030161-AB between the County and JRP Management Resources, Inc., for the period July 1, 2008 through December 31, 2008.

The Montgomery County Council passed, on June 11, 2002, and the County Executive signed, on June 20, 2002, Bill 5-02, relating to wage requirements on service contracts. This Bill was codified as Section 11B-33A of the Montgomery County Code. The Code generally requires, effective July 1, 2008, that County service contractors pay employees a minimum wage of \$12.40 per hour. Included in the General Conditions of the contract between JRP Management Resources, Inc. and Montgomery County is language expressly stating that the contract is subject to the wage requirements of Code Section 11B-33A.

Pursuant to Section 11B-33A, the Chief Administrative Officer of the County must enforce this Section, perform random audits and any other audit necessary to do so, and investigate any complaint of a violation.

The Department of General Services (DGS) oversees two of the contracts while the Department of Transportation (DOT) oversees the third. Additionally, DGS is responsible for all County procurements including these contracts. Contract #7506030300-BB and Contract #8506030161-AB are to perform grounds maintenance services within the County. Contract #8506010003-BB is to perform mowing and vegetation control services as a contractor. The contract periods and oversight departments are as follows:

<i>Contract #</i>	<i>Period</i>	<i>Estimated Dollar Value</i>	<i>Oversight Department</i>
7506030300-BB	July 30, 2007 to December 1, 2009	\$ 225,000	General Services
8506030161-AB	April 14, 2008 to April 13, 2010	\$ 223,900	General Services
8506010003-BB	December 1, 2008 to November 30, 2009	\$ 140,000	Transportation

These contracts are considered requirements contracts based on a fixed fee to perform each type of service such as a fixed fee for mowing an acre or a site. The contracts were selected based on the lowest total fee to perform all services annually.

JRP Management Resources, Inc.

BACKGROUND - CONTINUED

Contractors that are required to comply with the Wage Requirements Law must complete and submit an Office of Business Relations and Compliance (OBRC) Form which records each employee's daily hours that are assigned to the County contracts, withholding taxes and net wages. The forms are submitted to the OBRC, an Office of Department of General Services (DGS), quarterly.

INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES

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The Montgomery County Council passed, on June 11, 2002, Bill 5-02, relating to wage requirements on service contracts effective July 1, 2003. This bill was codified as Section 11B-33A of the Montgomery County Code. The Chief Administrative Officer of Montgomery County must enforce this Section, perform random audits and any other audit necessary to do so, and investigate any complaint of a violation. See Montgomery County Code 11B-33A(h)(2).

We have performed the procedures enumerated below, which were agreed to by Montgomery County Government, Office of County Executive, Office of Internal Audit. The purpose of the procedures performed was to assist Montgomery County Office of Internal Audit, to determine if JRP Management Resources, Inc. (JRP) complied with Montgomery County Code Section 11B-33A for Vendor Contracts #7506030300-BB, #8506010003-BB and #8506030161-AB, for the period July 1, 2008 through December 31, 2008. JRP's management is responsible for compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. We make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The following documents, provided by JRP, were used to perform the Agreed-Upon Procedures below:

- Employee Listing as of April 30, 2009
- Employee Pay Stubs For the pay periods, 7/20/2008 - 8/2/2008, 10/12/2008 - 10/25/2008 and 12/7/2008 - 12/20/2008
- Office of Business Relations and Compliance (OBRC) Wage Requirements Law Payroll Report Forms for the period, 7/1/2008 - 12/31/2008
- Bank Statements including cleared payroll checks for August 2008 and October 2008
- Signed Cash Forms for August 8, 2008 and October 31, 2008
- JRP Internal Payroll Summary for the year ended December 31, 2008
- Employee W-2 Forms for the year ended December 31, 2008.
- JRP's employer form W-3 and 941 Forms for the year ended December 31, 2008
- Weekly Time Records for the pay dates, August 8, 2008 and October 31, 2008.

Additionally, the County sent a copy of a draft of this report, excluding proposed recommendations, to JRP and requested that it comment on the factual contents. We have included JRP's response after each procedure, as applicable, as well as our evaluation of the response. JRP's full response appears in Appendix A.

The procedures performed and our findings are as follows:

1. Procedure

Inquire of JRP Management and document how the contractor records the employee's time and place of work.

Findings #1:

We met on March 25, 2009 at the office of JRP. The attendees were the following: Susan Cymek (Montgomery County), Daniel Kenney (Reznick Group), Bryan Benson (Reznick Group), Larry Dyckman (Montgomery County),

Patricio Geldres (JRP Management’s Accountant), Jorge Pino (JRP Management) and Ruth Pino (JRP Management). Based on our inquiry, we noted the following:

- a. JRP’s weekly time sheets are not prepared and signed by the individual employees, but are prepared by supervisors in the field.
- b. On the back of weekly time sheets the supervisor makes notes about additional jobs outside of the base contract performed each day.
- c. The supervisor keeps a daily log of sites where work was performed each day by the crew.
- d. The amount of hours worked each day by each employee is tracked. However, individual time by job is not maintained.
- e. Special work noted on the back of the time sheets is totaled for additional billings on the Job Authorization Forms (JAF). The Company keeps a log of additional billings on the JAF report.
- f. Employees are paid a portion of their pay in cash. A cash log was provided indicating employees signing for cash payments.

JRP’s Response to Findings #1a

“The duties of a main supervisor is to control and assign daily work to employees, it’s not signed by the individual employee because they all have a different job and get sent out to different locations.”

Reznick Response

This is a statement of fact that agrees with our initial finding.

JRP’s Response to Findings #1b

“Related of mentioned above.”

Reznick Response

This is a statement of fact that agrees with our initial finding.

JRP's Response to Findings #1c

“This is correct.”

Reznick Response

This is a statement of fact that agrees with our initial finding.

JRP's Response to Findings #1d

“The reason why the employee's hours aren't individually tracked is because we use the same crew for different jobs from numerous projects we have.”

Reznick Response

Findings #1d was a statement of fact documenting how the contractor records the employee's time and place of work. In determining how the contractor records the employee's time and place of work, we noted that an individual's time by job is not maintained. It is a requirement of the contract to maintain proper work location records.

JRP's Response to Findings #1f

“All cash paid to employees were reported under owners' taxes and cash payments to unrelated government and state jobs. These payments were not reported under employees W-2 or 1099 forms because they were paid under owner's personal level instead of a business related expenses.”

Reznick Response

Findings #1f was a statement of fact indicating that employees are paid a portion of their pay in cash, and a cash log was provided indicating employees signing for the cash payments. JRP's response above acknowledges that cash payments were made to employees as a form of compensation. The second sentence of JRP's response is only documenting how JRP maintains employee records. The second sentence of JRP's response is addressed in Findings #12.

2. Procedure

Inquire of JRP and document if there are any union employees, independent contractors or subcontractors responsible for performing the services under the contract. Inquire if any 1099's were issued.

Findings #2:

We inquired and were told that there were no union employees, independent contractors or subcontractors. There were no 1099's issued.

JRP's Response to Findings #2

"JRP doesn't issue 1099 forms"

Reznick Response

No change to initial finding.

3. Procedure

Compare list of all employees assigned to the contracts provided by JRP, as of April 30, 2009, to the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms, dated July 20, 2008 to August 2, 2008 and October 12, 2008 to October 25, 2008, provided by JRP. Note any discrepancies.

Findings #3:

Two employees, Employee 19 and Employee 20, were on JRP's list of employees, but were not on the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms selected. Based on inquiry with Ruth Pino, these employees are part of the office and are not covered under the Office of Business Relations and Compliance Wage Requirements Law.

JRP's Response to Findings #3

"These two employees: Employee 19 and Employee 20 didn't work or were assigned to any government job because they are part of our office staff."

Reznick Response

Upon reviewing JRP's response to Findings #3, we updated our findings to note Employee 19 and Employee 20 are a part of the office staff, and therefore are not covered under the Office of Business Relations and Compliance Wage Requirements Law.

4. Procedure

Determine whether all checks attached to the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms for the period, June 30, 2008 through December 31, 2008 agree with the information recorded on the Forms. Note any discrepancies.

Findings #4:

We reviewed all checks attached to the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms, and noted no discrepancies.

5. Procedure

Judgmentally select a sample of 10 employees from the list of all employees assigned to the contracts provided by JRP, as of April 30, 2009, and obtain their time records that JRP maintains.

Findings #5:

The list was provided in alphabetical order totaling 20 employees. To obtain a sample, every other employee was selected starting with the first.

6. Procedure

Determine from the time records sample if the information is sufficient to be in compliance with the Wage Requirements Law.

- Are the numbers of hours worked in a day recorded?
- Is the employee's work location for the day identified?

Findings #6:

We examined JRP's time records, and the employees hours worked each day are recorded on time sheets prepared by supervisors. However, the work location by employee or group was not documented by JRP, except sporadically on the back of time sheets.

JRP's Response to Findings #6

“According to this procedure the answers to both are YES.”

Reznick Response

We acknowledge and agree that JRP's employee time records and hours worked are recorded on time sheets prepared by supervisors. No additional evidence has been provided to support that an individual employee's work location for the day has been identified, except sporadically on the back of time sheets.

7. Procedure

Select two pay periods from the third and fourth quarter of 2008.

Findings #7:

We selected the pay dates August 8, 2008 and October 31, 2008.

8. Procedure

For the employees selected in procedure 5 compute the hourly rate from the pay stubs for the pay dates selected in procedure 7 (rate not kept in personnel file) and compare to the hourly wage rates for regular and overtime hours recorded in the payroll register as is required by the Fair Labor Standards Act.

Findings #8:

The hourly rate on the pay stubs agreed to the pay rate listed on the payroll register. We did note that of the nine employees sampled, there were six employees that worked hours in excess of 40 during the period tested. We found no evidence that JRP paid these employees an overtime rate for their hours worked in excess of 40 hours. The employees were not paid an overtime rate as is required by the Fair Labor Standards Act.

JRP's Response to Findings #8

“According to our records JRP paid overtime when employees work more than 40 hrs a week on government jobs.”

Reznick Response

During testing, we sampled nine employees over two pay periods. During the weeks that were sampled, we found no evidence that JRP paid overtime wages to the six employees that worked in excess of 40 hours. Additionally, the Fair Labor Standards Act applies to both government funded and privately funded work. Therefore, there are no changes to our finding above.

9. Procedure

Compare the hourly rate submitted on the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms, dated August 8, 2008 and October 31, 2008 that were submitted to the County to the hourly rate recorded in the payroll register provided by JRP.

Findings #9:

The hourly rate recorded on the JRP payroll register agreed with the rate recorded on the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms tested. However, we noted that the amounts recorded on the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms did not meet the wage requirements that were set forth by the Wage Requirement Law under Montgomery County Code. On July 1, 2008 the minimum hourly pay rate increased from \$11.95 to \$12.40. Of the nine employees that were tested on the August 8, 2008 payroll report form, eight did not meet the minimum pay rate of \$12.40 per hour required. Amounts paid to the selected employees and amounts required are shown in the chart below. Additionally, we noted by reviewing the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms submitted by JRP, that the pay rates of the employees tested were still at the old rate for the period July 1, 2008 through August 30, 2008. During the week of August 31, 2008, the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms reflected an increase to the current \$12.40 rate.

**Table 1**  
**Schedule of Variances between Required and Actual Pay for pay date August 8, 2008**

Employee	Total Hours	Actual Rate	Gross Pay	Required Rate	Required Gross	Difference
1 Employee 1	73	\$ 12.00	\$ 876.00	\$ 12.40	\$ 905.20	\$ 29.20
2 Employee 2	74	\$ 11.95	884.30	\$ 12.40	917.60	\$ 33.30
3 Employee 3	80	\$ 11.95	956.00	\$ 12.40	992.00	\$ 36.00
4 Employee 4	80	\$ 11.95	956.00	\$ 12.40	992.00	\$ 36.00
5 Employee 5	77.5	\$ 12.00	930.00	\$ 12.40	961.00	\$ 31.00
6 Employee 6	80	\$ 11.95	956.00	\$ 12.40	992.00	\$ 36.00
7 Employee 7	80	\$ 11.95	956.00	\$ 12.40	992.00	\$ 36.00
8 Employee 8	80	\$ 11.95	956.00	\$ 12.40	992.00	\$ 36.00
Totals:	624.50		\$ 7,470.30		\$ 7,743.80	\$ 273.50

### JRP's Response to Findings #9

“This item was part of learning curve of government jobs and we corrected following payments.”

### Reznick Response

JRP's response acknowledges their noncompliance from July 1 to the week of August 31, 2008. We did note that during the week of August 31, 2008 the Office of Business Relations and Compliance Wage Requirement Law Payroll Report Form reflected an increase to the current rate of \$12.40 per hour.

### 10. Procedure

Compare the hours worked recorded in the payroll register to the hours worked submitted on the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms submitted to the County.

### Findings #10:

For the payroll periods selected in procedure 7, we selected nine (9) employees for two pay period for testing and noted 39 variances in the hours reported on OBRC Payroll Report Forms and JRP time sheets. This represents an error rate of 21.67% (39 variances/180 sample size).

### JRP's Response to Findings #10

“The company policy says that employees get paid and compensate the hours that they work in a daily and weekly basis. There's no discrepancies about this.”

Reznick Response

Our interpretation of JRP's response is that they believe their payroll system is operating as intended and is recording accurate information. However, Procedure #10 was not a test of JRP's payroll system. In Procedure #10 we compared JRP's hours worked recorded in their payroll system to the OBRC Payroll Report Forms submitted to the County and found unexplained discrepancies as described above and in Table 2. Therefore, there are no changes to our initial finding.

**Table 2**  
**Schedule of Variances between Time Sheets and OBRC Payroll Report**

Employee	Date	Hours Per JRP Time Sheet	Hours Per OBRC Wage Requirements Law Payroll		Variance
			Report Form		
1 Employee 1	7/31/08	0.00	8.00	8.00	8.00
2 Employee 2	7/25/08	0.00	8.00	8.00	8.00
3 Employee 2	8/1/08	7.00	8.00	8.00	1.00
4 Employee 2	10/13/08	0.00	3.00	3.00	3.00
5 Employee 2	10/22/08	0.00	4.00	4.00	4.00
6 Employee 2	10/24/08	0.00	4.00	4.00	4.00
7 Employee 3	7/29/08	7.50	8.00	8.00	0.50
8 Employee 3	10/13/08	0.00	3.00	3.00	3.00
9 Employee 3	10/22/08	0.00	4.00	4.00	4.00
10 Employee 3	10/24/08	0.00	4.00	4.00	4.00
11 Employee 4	7/29/08	7.50	8.00	8.00	0.50
12 Employee 4	8/1/08	7.50	8.00	8.00	0.50
13 Employee 4	10/13/08	0.00	3.00	3.00	3.00
14 Employee 4	10/22/08	0.00	4.00	4.00	4.00
15 Employee 4	10/24/08	0.00	4.00	4.00	4.00
16 Employee 5	7/21/08	7.50	8.00	8.00	0.50
17 Employee 5	7/22/08	7.50	8.00	8.00	0.50
18 Employee 5	7/28/08	7.50	8.00	8.00	0.50
19 Employee 5	7/29/08	7.00	8.00	8.00	1.00
20 Employee 5	10/13/08	0.00	3.00	3.00	3.00
21 Employee 5	10/22/08	0.00	4.00	4.00	4.00
22 Employee 5	10/23/08	0.00	4.00	4.00	4.00
23 Employee 5	10/24/08	0.00	4.00	4.00	4.00
24 Employee 6	7/29/08	7.50	8.00	8.00	0.50
25 Employee 6	8/1/08	7.00	8.00	8.00	1.00
26 Employee 6	10/13/08	0.00	3.00	3.00	3.00
27 Employee 6	10/22/08	0.00	4.00	4.00	4.00
28 Employee 6	10/24/08	0.00	4.00	4.00	4.00
29 Employee 7	7/29/08	7.50	8.00	8.00	0.50
30 Employee 7	10/13/08	0.00	3.00	3.00	3.00
31 Employee 7	10/22/08	0.00	4.00	4.00	4.00
32 Employee 7	10/24/08	0.00	4.00	4.00	4.00
33 Employee 8	7/29/08	7.50	8.00	8.00	0.50
34 Employee 8	8/1/08	7.50	8.00	8.00	0.50
35 Employee 8	10/13/08	0.00	3.00	3.00	3.00
36 Employee 8	10/22/08	0.00	4.00	4.00	4.00
37 Employee 8	10/24/08	0.00	4.00	4.00	4.00
38 Employee 9	10/13/08	0.00	7.00	7.00	7.00
39 Employee 9	10/24/08	0.00	8.00	8.00	8.00
<b>Totals:</b>		<b>96.00</b>	<b>216.00</b>	<b>120.00</b>	

*Note:* The reporting of the payroll hours has no effect on JRP's invoicing amount to the County.

11. Procedure

Trace assigned employees from time records (card) to paychecks and cash payments record for the selected pay periods.

Findings #11:

- a. We traced the selected employees' calculated pay from the time sheet to the employee paychecks and signed cash receipts forms and noted the following exceptions:

**Table 3**  
**Schedule of Variances between Time Sheets and Actual Pay**

Employee	Recorded hours per JRP time sheet	Hourly rate per "List of Employees"	Reznick calculated pay per JRP time sheet at hourly rate	Amount recorded on payroll report	Amount recorded on cash receipts form	Variance
<b>Pay Date August 8, 2008</b>						
Employee 1	72.5	\$12.00	\$870.00	\$876.00	\$0.00	\$6.00
Employee 2	73.5	\$11.95	878.33	884.30	0.00	5.97
Employee 3	86	\$11.95	1,027.70	956.00	72.00	0.30
Employee 4	82	\$11.95	979.90	956.00	24.00	0.10
Employee 6	83	\$11.95	991.85	956.00	36.00	0.15
Employee 7	86	\$11.95	1,027.70	956.00	72.00	0.30
Employee 8	82	\$11.95	979.90	956.00	24.00	0.10
<b>Pay Date October 31, 2008</b>						
Employee 2	51	\$12.40	632.40	434.00	198.00	-0.40
Employee 3	51.5	\$12.40	638.60	434.00	198.00	-6.60
Employee 4	51.5	\$12.40	638.60	434.00	198.00	-6.60
Employee 6	51	\$12.40	632.40	434.00	198.00	-0.40
Employee 7	51	\$12.40	632.40	434.00	198.00	-0.40
Employee 8	50	\$12.40	620.00	434.00	198.00	12.00
Employee 9	66	\$18.00	1,188.00	1,296.00	0.00	108.00
<b>Totals:</b>			<u>\$11,737.78</u>	<u>\$10,440.30</u>	<u>\$1,416.00</u>	<u>\$118.52</u>

- b. JRP provided us with what appeared to be evidence of the cash payments through signed cash receipts forms. Employee signatures were present on the cash receipts forms. However, we were unable to verify the authenticity of the signatures. JRP represented that the employee signatures were authentic and the payments were made as additional wages.

JRP's Response to Findings #11

- a. "Cash payment were made by owners funds for special jobs."
- b. "We can prove employees signature cash receipt, providing a copy of the employee employment application form or the W-4 form."

Reznick Response

We compared the signatures on the cash receipts to the signatures on file; however, since we are not experts on such matters, we are unable to verify the authenticity of the signatures. No change to initial findings.

12. Procedure

Compare time sheets selected for the third and fourth quarter for the ten employees selected and recalculate the total payroll for the quarters based on the recorded pay rate. Trace to the third and fourth quarter calculated pay to federal quarterly payroll reports and employee W-2 Forms.

Findings #12:

As noted in Procedures #1 and #11 above, the employees are paid partially by check through the payroll system. Some of these employees are paid additionally through cash and sign a cash receipt slip. The employee pay amount included on the paycheck is included in the Company's internal payroll reports, while the amounts paid in cash are not recorded in the Company's internal payroll reports. The Company's internal payroll reports agreed to the amounts reported on the employee's W-2 Forms. Cash payments made to JRP employees were not reported on the Department of Treasury's - Internal Revenue Service (IRS) W-2 forms. Based on this information, JRP was incorrectly reporting wage information on its Department of the Treasury - Internal Revenue Service Annual Company Transmittal of Wages and Tax Statements (Form W-3) and its Annual Wage and Tax Statement for Individual Employees (Form W-2). JRP is required to report income and taxes withheld under IRC Section 3402. Therefore, JRP would not be in compliance with the General Terms and Conditions of their contracts with the County. Section 3, "Applicable Laws," of JRP's contracts with Montgomery County states, "The contractor must...comply with applicable federal, state and local laws."

### JRP's Response to Findings #12

“All cash payments were paid from owners funds which many were not reported as business expenses and was not necessary to report again on W-2 from because owners assume tax liability.”

### Reznick Response

We believe that JRP's response that “all cash payments were paid from owners funds” is not in compliance with the IRC. IRC Section 3401 defines wages as all remuneration for services performed by an employee for his employer. This would include cash payments. The source of funds to pay the wages is irrelevant. IRC Sections 3402, 3102, and 3221 require the employer to withhold federal taxes from the employee's wages, to withhold Social Security, and Medicare taxes from the employee's wages, and to pay the employer match on the Social Security and Medicare taxes. In addition the employer is likely responsible for withholding state income taxes as well as Federal and State Unemployment taxes. JRP would not be in compliance with the General Terms and Conditions of their contracts with the County. Section 3, “Applicable Laws,” of JRP's contracts with Montgomery County states, “The contractor must...comply with applicable federal, state, and local laws.”

### Follow-Up Procedure #12:

Based on the information determined in procedure #12 above, the Montgomery County Government, Office of County Executive, Office of Internal Audit asked us to calculate the hourly rate of the employees tested in procedure #12 using only the wages remitted to the IRS as well as using total amounts paid including the cash portion, to determine compliance under Section 11B-33A Wage Requirements.

### Follow-Up Procedure Findings #12:

Because the amount paid in cash was not included on the amount reported to the Department of the Treasury - Internal Revenue Service on the Annual Company Transmittal of Wages and Tax Statements (Form W-3) or the Annual Wage and Tax Statement for Individual Employees (Form W-2) forms, we produced the following schedules: the first (Table #4) showing the hourly rate including cash payments as wages. The second (Table #5) indicates the hourly rate comparing the amount recorded on the employee paycheck divided by the hours worked on the employee time sheet.

**Table 4**  
**Schedule of Recalculated Hourly Rates (Cash Payments Included)**

Employee	First week (hours per JRP time sheet)	Second week (hours per JRP time sheet)	Total	Amount paid by check	Amount paid in cash	Recalculated Hourly Rate	Fiscal Year 09 Required Rate	Variance
Pay Date August 8, 2008								
Employee 3	41.00	45.00	86.00	\$ 956.00	\$ 72.00	\$ 11.95	\$ 12.40	\$ (0.45)
Employee 4	41.00	41.00	82.00	956.00	24.00	11.95	12.40	(0.45)
Employee 6	41.00	42.00	83.00	956.00	36.00	11.95	12.40	(0.45)
Employee 7	41.00	45.00	86.00	956.00	72.00	11.95	12.40	(0.45)
Employee 8	41.00	41.00	82.00	956.00	24.00	11.95	12.40	(0.45)
Pay Date October 31, 2008								
Employee 2	32.00	19.00	51.00	434.00	198.00	12.39	12.40	(0.01)
Employee 3	32.00	19.50	51.50	434.00	198.00	12.27	12.40	(0.13)
Employee 4	32.00	19.50	51.50	434.00	198.00	12.27	12.40	(0.13)
Employee 5	32.00	15.00	47.00	455.00	156.00	13.00	12.40	0.60
Employee 6	31.50	19.50	51.00	434.00	198.00	12.39	12.40	(0.01)
Employee 7	31.50	19.50	51.00	434.00	198.00	12.39	12.40	(0.01)
Employee 8	32.00	18.00	50.00	434.00	198.00	12.64	12.40	0.24
	428.00	344.00	772.00	\$ 7,839.00	\$ 1,572.00	\$ 147.10	\$ 148.80	\$ (1.70)

**Table 5**  
**Schedule of Recalculated Hourly Rates (Cash Payments Not Included)**

Employee	First week (hours per JRP time sheet)	Second week (hours per JRP time sheet)	Total	Amount paid by check	Recalculated Hourly Rate	Fiscal Year 09 Required Rate	Variance
Pay Date August 8, 2008							
Employee 3	41.00	45.00	86.00	\$ 956.00	\$ 11.12	12.40	\$ (1.28)
Employee 4	41.00	41.00	82.00	956.00	11.66	12.40	(0.74)
Employee 6	41.00	42.00	83.00	956.00	11.52	12.40	(0.88)
Employee 7	41.00	45.00	86.00	956.00	11.12	12.40	(1.28)
Employee 8	41.00	41.00	82.00	956.00	11.66	12.40	(0.74)
Pay Date October 31, 2008							
Employee 2	32.00	19.00	51.00	434.00	8.51	12.40	(3.89)
Employee 3	32.00	19.50	51.50	434.00	8.43	12.40	(3.97)
Employee 4	32.00	19.50	51.50	434.00	8.43	12.40	(3.97)
Employee 5	32.00	15.00	47.00	455.00	9.68	12.40	(2.72)
Employee 6	31.50	19.50	51.00	434.00	8.51	12.40	(3.89)
Employee 7	31.50	19.50	51.00	434.00	8.51	12.40	(3.89)
Employee 8	32.00	18.00	50.00	434.00	8.68	12.40	(3.72)
	428.00	344.00	772.00	\$ 7,839.00	\$ 117.83	\$ 148.80	\$ (30.97)

Based on the data appearing in Table #4 above, JRP would not be in compliance with the County Wage Requirements Law by not paying its employees the minimum pay rate that is required of it under Section 11B-33A Wage Requirements; we noted that there were 10 instances of employees not being paid the minimum wage required of \$12.40 per hour, under the Code, effective July 1, 2008. In Table #4, we noted that there were five instances of noncompliance from pay date August 8, 2008 that correspond to findings previously discussed in Procedure #9. We also noted that there were five instances of noncompliance from pay date October 31, 2008 that correspond to findings previously discussed in Procedure #11.

Similarly, based on the data appearing in Table #5 above, JRP would not be in compliance with the County Wage Requirements Law by not paying its employees the minimum pay rate that is required of them under Section 11B-33A Wage Requirements if only the wages reported to the IRS are included. As shown in the table, we found 12 instances where employees were paid less than the required minimum wage.

#### JRP's Response to Follow-Up Procedure Findings #12

“Same as procedure 12. JRP has ALWAYS followed IRS rules.”

#### Reznick Response

JRP's response does not change our initial finding. JRP has not provided any additional evidence to dispute our initial finding. See response to Findings #12 above.

#### 13. Procedure

Judgmentally select two invoices submitted by JRP to the County which the County has paid to the contractor during the audit period. Compare dates of service on the invoices with the date of service recorded on the employees' time records as identified by JRP and their work location. Note any discrepancies.

#### Findings #13:

We could not establish the work location of the JRP employees. JRP does not record the work locations of their individual employees. In reviewing the information provided and through discussions with Jorge Pino, President of JRP

Management Resources, Inc., we were unable to ascertain the work locations of the employees tested and therefore are unable to perform this procedure.

JRP's Response to Findings #13

“Yes we do use same crew for different jobs.”

Reznick Response

No change to initial findings.

14. Procedure

Examine all canceled checks for the ten employees selected for the two payroll periods during the audit period and compare signature endorsement to signature in personnel file.

Findings #14:

We traced the endorsements on the cancelled checks for the ten employees during the two payroll periods to those signatures in the personnel files. Although the endorsements appeared to be legitimate, we are unable to verify the authenticity of the endorsements.

JRP's Response to Findings #14

“We are willing to provide any documentation to verify the authenticity of each endorsement cancelled check using employees W-4 form.”

Reznick Response

We compared the signatures on the cancelled checks to the signatures on file; however, since we are not experts on such matters, we are unable to verify the authenticity of the signatures. No change to initial findings.

15. Procedure

Inquire of JRP and document if there are any salaried employees assigned to the Contracts, their rate of compensation and job duties.

Findings #15:

JRP informed us that there are no salaried employees assigned to the Contracts.

JRP's Response to Findings # 15

“Salary is paid to officers, and employee's were paid by hour.”

Reznick Response

No change to initial findings.

16. Procedure

Determine if salaried employees assigned to the County Contracts meet the Fair Labor Standards Act requirements for salaried employees. Goal is to determine if the contractor is classifying the employees as salaried to avoid complying with the County Wage Requirements Law.

Findings #16:

There are no salaried employees assigned to the County Contracts; therefore we were unable to perform the procedure.

17. Procedure

Obtain JRP's letter dated January 8, 2010 which includes a reply to Findings #1 - 16, which is included in Appendix A. Respond to JRP's comments accordingly.

Findings #17:

See Reznick Response to JRP's letter under applicable Findings #1 - 16.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on compliance with the Wage Requirement Law under Montgomery County Code Section 11B-33A, for Contract #7506030300-BB, Contract #8506010003-BB and Contract #8506030161-AB between the County and JRP Management Resources, Inc., for the period July 1, 2008 through December 31, 2008. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of Montgomery County, Maryland, through its Office of Internal Audit and is not intended to be and should not be used by anyone other than this specified party.

*Reznick Group, P.C.*

Baltimore, Maryland  
April 2, 2010

INDEPENDENT ACCOUNTANTS' LETTER  
OF FINDINGS AND RECOMMENDATIONS

David E. Dise, CPPO, Director  
Department of General Services  
101 Orchard Ridge Drive  
Gaithersburg, MD 20878

Larry Dyckman, Manager  
Office of Internal Audit  
101 Monroe Street, 15<sup>th</sup> Floor  
Rockville, MD 20550

Arthur Holmes, Director  
Department of Transportation  
101 Monroe Street, 10<sup>th</sup> Floor  
Rockville, MD 20850

The Montgomery County Council passed, on June 11, 2002, Bill 5-02, relating to wage requirements on service contracts effective July 1, 2003. This bill was codified as Section 11B-33A of the Montgomery County Code. (See Appendix B for Section 11B-33A.) The Chief Administrative Officer of Montgomery County must enforce this Section, perform random audits and any other audit necessary to do so, and investigate any complaint of a violation. See Montgomery County Code 11B-33A(h)(2).

We have performed the procedures which were agreed to by Montgomery County Government, Office of the County Executive, Office of Internal Audit. The purpose of the procedures performed was to assist Montgomery County Office of Internal Audit, to determine if JRP Management Resources, Inc. (JRP) complied with Montgomery County Code Section 11B-33A for Contract #7506030300-BB, Contract #8506010003-BB and Contract #8506030161-AB between the County and JRP for the period July 1, 2008 through December 31, 2008.

(See Background for Contract Terms.) The agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Our procedures and the results are set forth in a separate report. In addition to that report, we wish to provide the following recommendations.

## **Overall Finding and Recommendation**

Our overall finding is we have noted instances where JRP is not in compliance with the Wage Requirements Law under Montgomery County Code Section 11B-33A. Our procedures were performed on a sample basis; the extent of the total noncompliance was not determined by these procedures. The following recommendations are designed to correct areas of noncompliance or provide a measurement to determine the full extent of the noncompliance. The noncompliance occurred in the following areas:

- Not maintaining the necessary records, related to employee work locations, to determine compliance with Section 11B-33A Wage Requirements.
- Not paying its employees an overtime wage requirement rate in compliance with the Fair Labor Standards Act.
- Not paying its employees the minimum pay rate required of it under Section 11B-33A Wage Requirements after the July 1, 2008 minimum rate increase.
- The amount of employee hours recorded as worked on the JRP payroll register does not agree with the amount of hours reported on the Office of Business Relations and Compliance (OBRC) Wage Requirements Law Payroll Report Forms.
- Paying some employees incorrect amounts due to them, based on hours worked as recorded on their time sheets.
- Incorrectly reporting wage information on its Department of the Treasury - Internal Revenue Service Annual Company Transmittal of Wages and Tax Statements (Form W-3) and its Annual Wage and Tax Statement for Individual Employees (Form W-2) or not paying their employees the minimum pay rate that is required of them under Section 11B-33A Wage Requirements.

Based on the overall finding as noted above and the Wage Requirements Law as prescribed in Montgomery County Code Section 11B-33A(h)(4) & (5) and Contract Addendum in the General Conditions of Contract Between County and Contractor, our recommendation is that the Department of General Services (DGS) and the Department of Transportation (DOT) should implement our recommendations corresponding to the detailed findings which follow, and consider sanctions or other actions to address JRP's noncompliance.

## **Detailed Findings and Recommendations**

The following sections discuss our detailed findings and recommendations where applicable in the order of the Findings in the Agreed-Upon Procedures Report.

### **Findings #6**

We examined JRP's time records, and the employees hours worked each day are recorded on time sheets prepared by supervisors. However, the work location by employee or group was not documented by JRP, except sporadically on the back of time sheets.

### **Recommendation for Findings #6**

DGS and DOT should request JRP to maintain records, which indicate time incurred by individual, by location for all contracts serviced by JRP. For workers that split their time between County contract work and non-County contract work, time should be allocated to each assignment so that compliance with wage requirements is adequately documented.

### **Findings #8**

The hourly rate on the pay stubs agreed to the pay rate listed on the payroll register. We did note that there was no difference in the rate paid to the employees for hours worked in excess of 40 hours in a week. The employees were not paid an overtime rate as is required by the Fair Labor Standards Act.

### **Recommendation for Findings #8**

DGS and DOT should require JRP to review their time sheets and recompute the amounts paid to employees who worked over 40 hours in a week to include overtime pay. For the hours worked under the County contract, the affected employees must be compensated an overtime rate in compliance with the Fair Labor Standards Act and the County Wage Requirements Law.

### **Findings #9**

The hourly rate recorded on the JRP payroll register agreed with the rate recorded on the Office of Business Relations and Wage Requirements Law Payroll Report Forms tested. However, we noted that the amounts recorded on the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms did not meet the wage requirements that were set forth by the Wage Requirement Law under Montgomery

County Code. On July 1, 2008 the minimum hourly pay rate increased from \$11.95 to \$12.40. Of the nine employees who were tested on the August 8, 2008 payroll report form, eight did not meet the minimum pay rate of \$12.40 per hour required. Additionally, we noted by reviewing the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms submitted by JRP, that the pay rates of the employees tested were still at the old rate for the period July 1, 2008 through August 30, 2008. During the week of August 31, 2008, the Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms reflected an increase to the current \$12.40 rate.

#### **Recommendation for Findings #9**

DGS and DOT should require JRP to recalculate the amounts paid to its employees during the period from July 1, 2008 to August 30, 2008, in order to increase their pay rates to the minimum rate of \$12.40 per hour.

#### **Findings #10**

For the payroll period selected in procedure 7, we selected nine (9) employees for two pay periods for testing and noted 39 variances in the hours reported on OBRC Payroll Report Forms and JRP time sheets. This represents an error rate of 21.67% (39 variances/180 sample size).

#### **Recommendation for Findings #10**

DGS and DOT should require JRP to review all Office of Business Relations and Compliance Wage Requirements Law Payroll Report Forms submitted to the County compared to their time sheets and correct the forms submitted with inaccurate information.

In the future, DGS and DOT should require JRP to correctly submit OBRC forms to reflect all hours worked under the contract.

#### **Findings #11a**

We traced the selected employees' calculated pay from the time sheet to the employee paychecks and signed cash receipts forms and noted the exceptions on the Agreed-Upon Procedures Report.

### **Recommendation for Findings #11a**

DGS and DOT should require JRP to determine the total hours worked on all contracts by each employee during the period under contract from July 1, 2008 through December 31, 2008. JRP should reconcile the actual amount earned including any cash payments and any amounts owed should be paid immediately to applicable employees and should be retroactively recorded in order to comply with Section 11B-33A of the Montgomery County Code.

### **Findings #12**

As noted in Procedure #1 above, the employees are paid partially by check through the payroll system. Some of these employees are paid additionally through cash and sign a cash receipt slip. The employee pay amount included on the paycheck is included in the Company's internal payroll reports, while the amounts paid in cash are not recorded in the Company's internal payroll reports. The Company's internal payroll reports agreed to the amounts reported on the employee's W-2 Forms. Cash payments made to JRP employees were not reported on the Department of Treasury's - Internal Revenue Service (IRS) W-2 Forms. Based on this information, JRP was incorrectly reporting wage information on its Department of the Treasury - Internal Revenue Service Annual Company Transmittal of Wages and Tax Statements (Form W-3) and its Annual Wage and Tax Statement for Individual Employees (Form W-2). JRP is required to report income and taxes withheld under IRC Section 3402. Therefore, JRP would not be in compliance with the General Terms and Conditions of its contracts with the County. Section 3, "Applicable Laws," of JRP's contracts with Montgomery County states, "The contractor must...comply with applicable federal, state and local laws."

### **Recommendation for Findings #12**

DGS and DOT should require JRP to recalculate the wages paid its employees, at a minimum, from inception of the contract, include the cash payments and report the error in underreporting to the Internal Revenue Service and provide evidence of this to the County.

### **Findings on Follow-Up Findings #12**

Because the amount paid in cash was not included in the amount reported to the Department of the Treasury - Internal Revenue Service on the Annual Company Transmittal of Wages and Tax Statements (Form W-3) or the Annual Wage and Tax Statement for Individual Employees (Form W-2) forms, we produced Tables #4 and 5: the first showing the hourly rate including cash payments as wages. The second indicates

the hourly rate comparing the amount recorded on the employee paycheck divided by the hours worked on the employee time sheet.

Based on the data appearing in Table #4 of the Agreed Upon Procedures Report, JRP would not be in compliance with the County Wage Requirement Law by not paying their employees the minimum pay rate that is required of them under Section 11B-33A Wage Requirements, we noted that there were 10 instances of employees not being paid the minimum wage required of \$12.40 per hour, under the Code, effective July 1, 2008. In Table #4, we noted that there were five instances of noncompliance from pay date August 8, 2008 that correspond to findings previously discussed in Procedure #9. We also noted that there were five instances of noncompliance from pay date October 31, 2008 that correspond to findings previously discussed in Procedure #11.

Similarly, based on the data appearing in Table #5 of the Agreed-Upon Procedures Report, JRP would not be in compliance with the County Wage Requirements Law by not paying their employees the minimum pay rate that is required of them under Section 11B-33A Wage Requirements if only the wages reported to the IRS are included. As shown in the table, we found 12 instances where employees were paid less than the required minimum wage.

#### **Recommendation for Findings on Follow-Up Findings #12**

DGS and DOT should require JRP to provide the County documentation to support that the amounts paid in cash have been subsequently reported to the IRS for each of the contract periods.

#### **Departmental Comments**

The Independent Accountant's Report and the Independent Accountants' Letter of Findings and Recommendations were provided to DOT and DGS. DOT and DGS have reviewed the reports and have responded that they agree with the findings and recommendations. See letters from DOT and DGS attached in Appendices E and F.

## **APPENDIX A**



**JRP MANAGEMENT RESOURCES, INC.**  
**3909 NATIONAL DRIVE, SUITE 160**  
**BURTONSVILLE, MD. 20866**  
**Phone: 301-421-5917**  
**FAX: 301-421-5918**  
**www.jrpmanagement.com**

January 08, 2010

Montgomery County Maryland  
Mr. Larry Dyckman  
Office of Internal Audit  
101 Monroe St.  
Rockville, MD 20850

Dear Mr. Dyckman:

Enclosed is the reply to your findings:

1. Procedure

Findings #1

- a. The duties of a main supervisor is to control and assign daily work to employees, it's not signed by the individual employee because they all have a different job and get sent out to different locations.
- b. related of mentioned above.
- c. This is correct
- d. The reason why the employee's hours aren't individually tracked is because we use the same crew for different jobs from numerous projects we have.
- f. All cash paid to employee's were reported under owners taxes and cash payments to unrelated government and state jobs. These payments were not reported under employees W-2 or 1099 forms because they were paid under owner's personal level instead of a business related expenses.

2. Procedure

Findings #2

JRP doesn't issue 1099 forms

Findings #3

a. These two employees: \_\_\_\_\_ and \_\_\_\_\_ didn't work or were assigned to any government job because they are part of our office staff.

6. Procedure

According to this procedure the answers to both are YES.

Findings #6

a. Same as Findings #3. a.

8. Procedure

Findings #8

a. According to our records JRP paid overtime when employees work more than 40hrs a week on government jobs.

9. Procedure

Findings #9

a. This item was part of learning curve of government jobs and we corrected following payments.

10. Procedures

Findings #10

a. The company policy says that employees get paid and compensate the hours that they work in a daily and weekly basis. There's no discrepancies about this.

11. Procedure

Findings #11

a. Cash payment were made by owners funds for special jobs

b. We can prove employees signature cash receipt, providing a copy of the employee employment application form or the W-4 form.

12. Procedure

Findings# 12

a. All cash payments were paid from owners funds which many were not reported as business expenses and was not necessary to report again on W-2 form because owners assume tax liability.

Follow-Up Procedure #12:

Same as procedure 12a. JRP has ALWAYS followed IRS rules.

Note: In Findings #3, employee names were omitted for confidentiality purposes.

13. Procedure

Findings #13

- a. Yes we do use same crew for different jobs.

14. Procedure

Findings # 14

- a. We are willing to provide any documentation to verify the authenticity of each endorsement cancelled check using employees W-4 form.

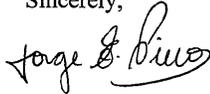
15. Procedure

Finding # 15

- a. Salary is paid to officers and employee's were paid by hour.

Please call me if you have any questions.

Sincerely,



Jorge E. Pino  
JRP Management Resources, Inc.  
President  
Ph: 301-421-5917  
Fx: 301-421-5918

**APPENDIX B**

*The following Section, ' 11B-33A, derived from 2002 L.M.C., ch. 17, is not effective until July 1, 2003. However, inasmuch as it applies to proposals invited after January 1, 2003, it is being codified in advance of the effective date.*

**Sec. 11B-33A. Wage requirements.**

- (a) *Scope.* Any contract for procurement of services by a County department or office must require the contractor and any subcontractor to comply with the wage requirements of this Section. As used in this Section, "covered employer" refers to any contractor or subcontractor that is subject to this Section.
- (b) *Exceptions to coverage.* This Section does not apply to:
  - (1) a contractor who:
    - (A) employs fewer than 10 employees when the contractor submits a bid or proposal, and
    - (B) does not employ 10 or more employees at any time the contract is in effect as a result of performing the contract;
  - (2) a contractor who, at the time a contract is signed:
    - (A) has received less than \$50,000 from the County in the most recent 12-month period; and
    - (B) will be entitled to receive less than \$50,000 from the County under that contract in the next 12-month period;
  - (3) a contract with a public entity;
  - (4) a contract with a nonprofit organization that has qualified for an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code;
  - (5) a non-competitive contract awarded under Section 11B-14 if the Chief Administrative Officer finds that the performance of the contract would be significantly impaired if the wage requirements of this Section applied;
  - (6) a contract for electricity, telephone, cable television, water, sewer, or similar service delivered by a regulated public utility;
  - (7) a contract for services needed immediately to prevent or respond to an imminent threat to public health or safety;
  - (8) an employer to the extent that the employer is expressly precluded from complying with this Section by the terms of any federal or state law, contract, or grant;
  - (9) a bridge contract entered into under Section 11B-42; or
  - (10) a contract entered into under a cooperative procurement under Section 11B-40.

The Executive by regulation may increase the amount in subsection (b)(2) to reflect increases in the cost of living.

(c) *Solicitation requirements.*

- (1) Each bid or proposal to provide services to the County must specify how the contractor and each subcontractor will comply with these wage requirements, and must include sufficient funds to meet these requirements.
- (2) Each bid or proposal to provide services to the County which is submitted by an organization that is exempt from coverage under subsection (b)(4) must specify the wage the organization intends to pay to those employees who will perform direct, measurable work under the contract, and any health insurance the organization intends to provide to those employees. In evaluating the cost of a bid or proposal the County must disregard any additional cost attributable to payment of the wage requirements of this Section by any organization that is exempt from coverage under subsection (b)(4) when compared to a bid or proposal submitted by another organization that is also exempt from coverage under subsection (b)(4).
- (3) A contractor must not split or subdivide a contract, pay an employee through a third party, or treat an employee as a subcontractor or independent contractor, to avoid the imposition of any requirement under this Section.

(d) *Health insurance.* If a contractor or subcontractor commits in its bid or proposal to provide health insurance to any employee who provides services to the County, the contractor or subcontractor may:

- (1) certify in its bid or proposal the per-employee hourly cost of the employer's share of the premium for that insurance, and
- (2) reduce the wage paid under subsection (e) to any employee covered by the insurance by all or part of the per-employee hourly cost of the employer's share of the premium.

'11B-33A

- (e) *Wage requirement.*
- (1) Except as permitted under subsection (d)(2), each covered employer must pay each employee who is not exempt under subsection (f) at least \$10.50 per hour during the time the employee actually provides services to the County.
  - (2) The Chief Administrative Officer must adjust the wage rate required under this subsection, effective July 1 of each year, by the annual average increase, if any, in the Consumer Price Index for all urban consumers for the Washington-Baltimore metropolitan area, or any successor index, for the previous calendar year. The Chief Administrative Officer must calculate the adjustment to the nearest multiple of 5 cents, and must publish the amount of this adjustment not later than March 1 of each year. Each adjustment under this paragraph applies to any contract covered by this Section which:
    - (A) is in effect when the adjustment takes effect, or
    - (B) takes effect during the next 12 months.
- (f) *Exceptions to wage requirement.* The wage requirements of this Section do not apply to any employee:
- (1) who performs no measurable work related to any contract with the County;
  - (2) who participates in a government-operated or -sponsored program that restricts the earnings of or wages paid to employees to a level below the wage required under this Section;
  - (3) who participates for no longer than 120 days in any calendar year in a government-operated or -sponsored summer youth employment program; or
  - (4) for whom a lower wage rate is expressly set in a bona fide collective bargaining agreement.
- (g) *Conflicting requirements.* If any federal, state, or County law or regulation requires payment of a higher wage, that law or regulation controls. If any applicable collective bargaining agreement requires payment of a higher wage, that agreement controls.
- (h) *Enforcement.*
- (1) The Chief Administrative Officer must require each covered employer to:
    - (A) certify that the employer and each subcontractor is aware of and will comply with the applicable wage requirements of this Section;
    - (B) keep and submit any records necessary to show compliance; and
    - (C) conspicuously post notices informing employees of the requirements of this

Section, and send a copy of each such notice to the Chief Administrative Officer's designee.

- (2) The Chief Administrative Officer must enforce this Section, perform random audits and any other audit necessary to do so, and investigate any complaint of a violation.
- (3) An employer must not discharge or otherwise retaliate against an employee for asserting any right under this Section or filing a complaint of violation. Any retaliation is subject to all sanctions for noncompliance with this Section.
- (4) The sanctions of Section 11B-33(b) which apply to noncompliance with nondiscrimination requirements apply with equal force and scope to noncompliance with the wage requirements of this Section.
- (5) Each contract may specify that liquidated damages for any noncompliance with this Section includes the amount of any unpaid wages, with interest, and that the contractor is jointly and severally liable for any noncompliance by a subcontractor. In addition, each contract must specify that an aggrieved employee, as a third-party beneficiary, may by civil action enforce the payment of wages due under this Section and recover any unpaid wages with interest, a reasonable attorney's fee, and damages for any retaliation for asserting any right under this Section.

(i) *Report.*

The Chief Administrative Officer must report annually to the Council and Executive on the operation of and compliance with this Section. In addition, the report filed under Section 11B-61(a) each year must compute the number of contracts and subcontracts with minority-owned businesses that are subject to the requirements of this Section, and how that number has changed since the year before those requirements took effect. (2002 L.M.C., ch. 17, '1.)

**Editor's note** C2002 L.M.C., ch. 17, '2, states: Section 11B-33A, inserted by Section 1 of this Act, applies, effective July 1, 2003, to any contract for which the County government released a solicitation on or after January 1, 2003, and to any renewal or extension of a previously-effective contract which takes effect on or after July 1, 2003, and incorporates any material alteration to a provision of that contract. The Chief Administrative Officer must offer to renegotiate any multi-year contract which took effect before July 1, 2003, if the contractor agrees to apply the wage requirements of Section 11B-33A to employees who provide services under that contract. The first annual wage adjustment required by Section 11B-33A(e)(2) must take effect on July 1, 2004.

**APPENDIX C**



**OFFICE OF BUSINESS RELATIONS AND COMPLIANCE (OBRC)**  
 Wage Requirements Law Payroll Report Form

**INSTRUCTIONS FOR USE:**  
 Submit Quarterly (January/April/July/October) for the prior quarter.  
 After completing all required fields and signing the Attestation, please  
 mark the envelope "CONFIDENTIAL" and return the form to:

Montgomery County Maryland, OBRC, ATTN: Wage Requirements Program Manager  
 255 Rockville Pike, Suite 180, Rockville, MD 20850

**CONTRACTOR/SUBCONTRACTOR CONTACT INFORMATION**

**Company:**

**Address:**

**City:**  **State:**  **Zip:**

**Contract Number:**

**Begin Pay Period:**  **End Pay Period:**

Name and Address of Employee	Work Classification	Hours Worked							Total Hours	Pay Rate	Gross Wages	Misc. Add.	Fed Tax	FICA Soc. Sec.	Medicare	State Tax	Health Ins. Ded.	Misc. Ded.	Misc. Ded.	Net Wages for Period
		Su	M	Tu	W	Th	F	Sa												
		S																		
		O																		
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**ATTESTATION**

I, \_\_\_\_\_ (NAME), as \_\_\_\_\_ (TITLE), of \_\_\_\_\_ (COMPANY), hereby certify, under penalty of perjury, that I am legally authorized to make this representation on behalf of the above-named entity, and that the payroll data above is complete, true, and correct, that the wage rates paid to employees by this contractor or subcontractor of a County contract are no less than those required by County law, that the rate of pay for each employee accurately reflects the work the employee performed and that this contractor or subcontractor is in full compliance with the Montgomery County Wage Requirements Law.

\_\_\_\_\_  
SIGNATURE

**APPENDIX D**

Attachment D

Wage Requirements for Services Contract Addendum to The General Conditions of Contract Between County and Contractor

- A. This contract is subject to the wage requirements of Section 11B-33A of the Montgomery County Code. A County contract for the procurement of services must require the contractor and any of its subcontractors to comply with the wage requirements of this Section, subject to exceptions from coverage for particular contractors noted in 11B-33A(b) and for particular employees noted in 11B-33A(f).
- B. Conflicting requirements (11B-33A(g)): If any federal, state, or County law or regulation requires payment of a higher wage, that law or regulation controls. If any applicable collective bargaining agreement requires payment of a higher wage, that agreement controls.
- C. Nonprofit organizations who are exempt from the wage requirements under 11B-33A must specify the wage the organization intends to pay to those employees who will perform direct, measurable work under the contract, and any health insurance the organization intends to provide to those employees.
- D. A contractor must not split or subdivide a contract, pay an employee through a third party, or treat an employee as a subcontractor or independent contractor, to avoid the imposition of any requirements in 11B-33A.
- E. Each contractor and subcontractor covered under 11B-33A must: certify that it is aware of and will comply with the applicable wage requirements; keep and submit any verifiable records necessary to show compliance; and conspicuously post notices informing employees of the wage requirements, and send a copy of each such notice to the County's Director of Procurement.
- F. An employer must comply with Section 11B-33A during the initial term of the contract and all subsequent renewal periods and must pay an increase adjustment in this wage rate, if any, automatically effective July 1 of each year. The County will adjust the wage rate by the annual average increase in the Consumer Price Index for all urban consumers for the Washington-Baltimore metropolitan area, or successor index, for the previous calendar year and must calculate the adjustment to the nearest multiple of 5 cents.
- G. An employer must not discharge or otherwise retaliate against an employee for asserting any right or filing a complaint of a violation, under the wage requirements.
- H. The sanctions under Section 11B-33(b), that apply to noncompliance with nondiscrimination requirements, apply with equal force and scope to noncompliance with the wage requirements under 11B-33A.
- I. The County may assess liquidated damages for any noncompliance by contractor with the Section 11B-33A wage requirements at the rate of 1% per day of the total contract amount, or for a requirements contract, the estimated annual contract value, for each day of the violation. This liquidated damages amount includes the amount of any unpaid wages, with interest. In the event of a breach of contract under this paragraph, the Contractor must pay to the County liquidated damages noted above, in addition to any other remedies available to the County. Contractor and County acknowledge that damages that would result to the County as a result of a breach under this paragraph are difficult to ascertain, and that the liquidated damages provided for in this paragraph are fair and reasonable in estimating the damage to the County resulting from a breach of this paragraph by Contractor. In addition, the contractor is jointly and severally liable for any noncompliance by a subcontractor. Furthermore, Contractor agrees that an aggrieved employee, as a third-party beneficiary, may by civil action enforce the payment of wages due under the Section 11B-33A wage requirements and recover from Contractor any unpaid wages with interest, a reasonable attorney's fee, and damages for any retaliation for asserting any right or claim under the 11B-33A wage requirements.
- J. The Director may conduct random audits to assure compliance with Section 11B-33A. The Director may conduct an on-site inspection(s) for the purpose of determining compliance.
- K. If the Contractor fails, upon request by the Director, to submit documentation demonstrating compliance with Section 11B-33A to the satisfaction of the Director, the Contractor is in breach of this contract. In the event of a breach of contract under this paragraph, the Contractor must pay to the County liquidated damages noted in paragraph I. above, in addition to any other remedies available to the County. Contractor and County acknowledge that damages that would result to the County as a result of a breach under this paragraph are difficult to ascertain, and that the liquidated damages provided for in this paragraph are fair and reasonable in estimating the damage to the County resulting from a breach of this paragraph by Contractor.

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D 1

Wage Requirements Certification (Montgomery County Code, Section 11B-33A)

Business Name				
Address				
City	State		Zip Code	
Phone Number	Fax Number	E-Mail		

Please provide in the spaces below the contact name and information of the individual designated by your firm to monitor your compliance with the County's wage requirements, unless exempt under Section 11B-33A(b) (see item B below):

Contact Name	Title			
Phone Number	Fax Number	E-Mail		

MUST CHECK  ALL APPROPRIATE BOXES BELOW that apply in the event that you, as an "Offeror," are awarded the contract and become a "Contractor":

Wage Requirements Compliance

- A.  This Contractor as a "covered employer" will comply with the requirements under Section 11B-33A, Wage Requirements. Contractor will pay all employees not exempt under the wage requirements, and who perform direct measurable work for the County, the wage requirements effective at the time the work is performed. The bid price(s) submitted under this solicitation include(s) sufficient funds to meet the wage requirements.

Exemption Status (if applicable)

B. This Contractor is exempt from 11B-33A, "Wage Requirements," because it is:

- 1. a contractor who employs fewer than 10 employees when the contractor submits a bid or proposal, and will continue to be exempt as long as contractor does not employ 10 or more employees at any time the contract is in effect as a result of performing the contract. Section 11B-33A(b)(1).
- 2. a contractor who, at the time a contract is signed: has received less than \$50,000 from the County in the most recent 12-month period; and will be entitled to receive less than \$50,000 from the County under that contract in the next 12-month period. Section 11B-33A(b)(2).
- 3. a contract with a public entity. Section 11B-33A(b)(3).
- 4. a contract with a nonprofit organization that has qualified for an exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Section 11B-33A(b)(4) (**must complete item C below**).
- 5. an employer to the extent that the employer is expressly precluded from complying with this Section by the terms of any federal or state law, contract, or grant. Section 11B-33A(b)(8) (**must specify the law, or furnish a copy of the contract or grant**).

Nonprofit Wage & Health Information (Must complete and submit wage and health insurance form)

- C.  This Contractor is a Nonprofit organization that is exempt from coverage under Section 11B-33A(b)(4). Accordingly, the contractor has completed the 501(c)(3) Nonprofit Organization's Employee's Wage and Health Insurance Form, that is attached. See Section 11B-33A(c)(2).

Nonprofit's Comparison Price(s)

- D.  This Contractor is a Nonprofit organization that is opting to pay its covered employees the hourly rate specified in the wage requirements. Accordingly, Contractor is duplicating the blank quotation sheet on which it is submitting its price(s) in the IFB, and is submitting on this duplicate form its price(s) to the County had it not opted to pay its employees the hourly rate specified in the wage requirements. For bid evaluation purposes, this price(s) will be compared to price(s) of another Nonprofit organization(s) that is paying its employees an amount consistent with its exemption from paying the hourly rate under the wage requirements. This revised information on the duplicate quotation sheet must be clearly marked as your Nonprofit organization comparison price(s). In order to compare your price(s), the revised information on the duplicate quotation sheet must be submitted with your bid, must show how the difference between your price(s) and your Nonprofit organization comparison price(s) was calculated, and will not be accepted after the bid opening date. See Section 11B-33A(c)(2).

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D 2

Wage Requirements Reduction

This Contractor is a "covered employer," and it desires to reduce its hourly rate paid under the wage requirements by an amount equal to, or less than, the per employee hourly cost of the employer's share of the health insurance premium. Contractor certifies that the per employee hourly cost of the employer's share of the premium for that insurance is: \$\_\_\_\_\_. See Section 11B-33A(d).

Contractor Certification

CONTRACTOR SIGNATURE: Contractor submits this certification form in accordance with Section 11B-33A of the Montgomery County Code. Contractor certifies that it, and any and all of its subcontractors that perform services under the resultant contract with the County, adheres to Section 11B-33A of the Montgomery County Code.

Authorized Corporate, Partner, or Proprietor Signature		Typed Name of Signature	
Title of Authorized Person		Date	

**APPENDIX E**



DEPARTMENT OF TRANSPORTATION

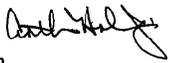
Isiah Leggett  
County Executive

Arthur Holmes, Jr.  
Director

MEMORANDUM

March 23, 2010

TO: Larry Dyckman, Manager  
Office of Internal Audit

FROM: Arthur Holmes, Jr., Director   
Department of Transportation

SUBJECT: JRP wage compliance audit report

The Department of Transportation (DOT) has reviewed the final report of JRP Management Resources, Inc. dated February 18, 2010, prepared by the Reznick Group.

I note that the Reznick Group was engaged to assist the County in determining compliance with the Wage Requirement Law under Montgomery County Code Section 11B-33A for Contract #7506030300-BB, Contract #8506010003-BB and Contract #8506030161-AB between the County and JRP Management Resources Inc., for the period July 1, 2008 through December 31, 2008.

I also note that the Reznick Group's overall finding was that, in certain instances, JRP was not in compliance with the Wage Requirement Law under Montgomery County Code Section 11B-33A for Contract #7506030300-BB, Contract #8506010003-BB and Contract #8506030161-AB between the County and JRP Management Resources Inc., for the period July 1, 2008 through December 31, 2008, Code Section 11B-33A.

DOT takes no exceptions to findings and recommendations of the Reznick Group. Furthermore, DOT supports:

1. Recommendation for Finding #6
2. Recommendation for Finding #8
3. Recommendation for Finding #9
4. Recommendation for Finding #10
5. Recommendation for Finding #11a
6. Recommendation for Finding #12

Finally, I agree that JRP should provided documentation that the amounts paid in cash have been subsequently reported to the IRS for each of the contract periods. Please do not hesitate to contact me should you need additional information.

AH:tt

Office of the Director

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101 Monroe Street, 10th Floor • Rockville, Maryland 20850 • 240-777-7170 • 240-777-7178 FAX  
www.montgomerycountymd.gov

Located one block west of the Rockville Metro Station

**APPENDIX F**



DEPARTMENT OF GENERAL SERVICES

Isiah Leggett  
*County Executive*

David E. Dise  
*Director*

March 23, 2010

Mr. Larry Dyckman  
Manager, Office of Internal Audit  
Montgomery County Government  
101 Monroe Street, 15th floor  
Rockville, MD 20850

Re: Independent Accountants' Report - JRP Management Resources, Inc.

Mr. Dyckman:

The Department of General Services has reviewed the referenced report and agrees with its findings and recommendations. On behalf of the departments of General Services and Transportation, the County's Wage Program Manager will coordinate the County's follow-up action on the recommendations provided in the report

Very truly yours,



David E. Dise, Director

Enclosure

cc: Jack Gibala, Wage Program Manager  
Ken Taylor, Manager, OBRC

Office of the Director  
101 Monroe Street, 9th Floor • Rockville, Maryland 20850  
[www.montgomerycountymd.gov/dgs](http://www.montgomerycountymd.gov/dgs)

APPENDIX G

**General Conditions of Contract Between County and Contractors**

<http://www.montgomerycountymd.gov/content/DGS/pro/forms/PMMD-45.pdf>

APPENDIX H

**The Fair Labor Standards Act of 1930**

<http://www.dol.gov/esa/whd/regs/statutes/FairLaborStandAct.pdf>